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Co-Operative Grain

Elevator Movement in Illinois

Economics

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CO-OPERATIVE GRAIN ELEVATOR MOVEMENT
IN ILLINOIS

BY

FRED EMERSON CLARK
A. B. Albion College, 1912

THESIS

Submitted in Partial Fulfillment of the Requirements for the

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IN

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June 3. 1903.

I HEREBY RECOMMEND THAT THE THESIS PREPARED UNDER MY SUPERVISION BY

Mr. Fred Emerson Clark

ENTITLED *Co-operative Grain Elevator Movement*
in Illinois

BE ACCEPTED AS FULFILLING THIS PART OF THE REQUIREMENTS FOR THE

DEGREE OF *Master of Arts*

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on
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INTRODUCTION

The mechanism by which grain is collected in the country, transported to the terminal cities, and there put upon the national and world market, may be divided into four parts. The first is the country market to which the farmer brings his grain. The second is the railroad which supplies transportation facilities. The third is the terminal warehouse service which stores the grain to await purchase on the Exchange--the fourth and final factor of importance to this study.¹⁾

The function of the country market is to gather the grain from the farmer preparatory to shipping it to the terminal cities. With few exceptions this is done by an elevator around which the activities of the country market center. "The farmer's market place is, in reality, the country elevator"²⁾. Here the grain is purchased from the farmer, transferred from his wagon to the elevator, and there awaits shipment to the primary market.³⁾

Three important interests compete for the control of the country market: the "line" elevator systems, operating great terminal warehouses and lines of country elevators controlled from a central office; the local dealers, either independent or banded

1) Report of the Industrial Commission, 1900, vol. VI, p. 45.

2) Ibid. p. 50.

3) Siebel Harris, Methods of Marketing the Grain Crop, Annals of the American Academy of Political and Social Science, Sept., 1911, p. 40.

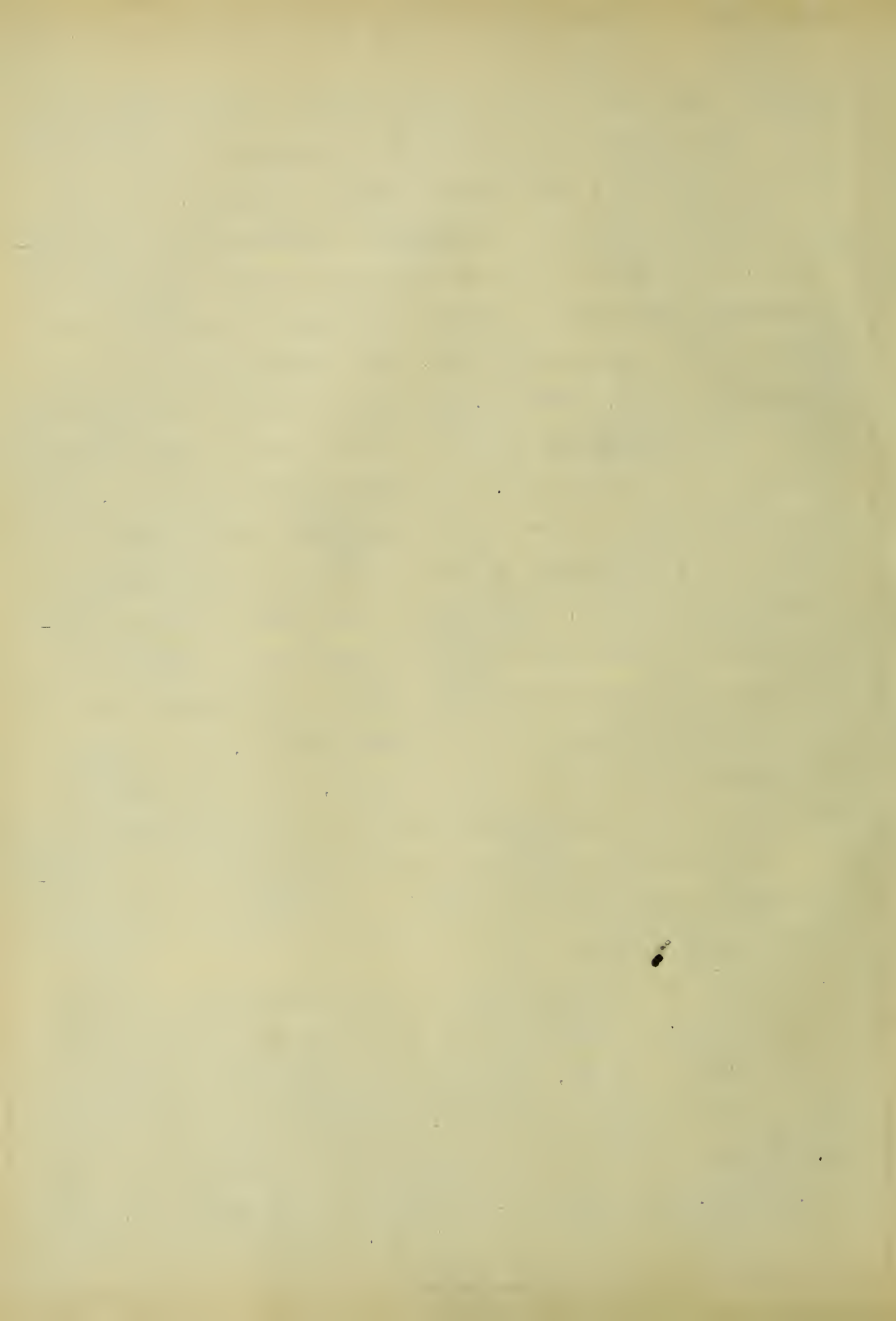
together into associations, and the farmers' elevator companies.

The disposal of the grain at the terminal city varies. When the grain of a line company reaches this point, if it has not already been sold by the company's representatives on the Exchange, it is stored in its own warehouse to await such sale. The independent companies and farmers' associations do not sell their grain directly upon the Exchange. This service is performed for them by commission merchants, who charge about one half cent per bushel for handling corn and oats and one cent for wheat. These merchants not only sell the grain for the country elevators, but frequently advance capital to them with which to buy grain at the local market.¹⁾ The capital of the local elevators is generally limited; consequently, there must be some credit relation to enable them to purchase grain as it is brot to the elevator, and for which the farmers demand cash. During a rush season, when cars cannot be procured and grain must be stored, thus tying up the limited capital of the country dealer, this credit relation with the commission merchant has proved especially advantageous.

An acquaintance with the methods of the line and independent companies will give a clue to the causes that led to the rise of the farmer elevators.

About the year 1885 the great public warehouse companies of Chicago, which before this time had confined their activities to the storage of grain, began competing with buyers thruout the grain region tributary to Chicago. By 1900 they had"absorbed three-fourths of the business of both buying and selling at the

1) U.S. Dept. of Agriculture, Farmers' Bulletin, Number 62, p. 10.



1)
Chicago market". It was to the interest of both the railroads and the companies to center the grain trade at Chicago, and the railroads made concessions to the line companies in order to accomplish this end.²⁾ The line companies also had the advantage of controlling long lines of country elevators, and the use of their own terminal warehouses, for which they paid no storage charge and thru which they gained the profit made from the "mixing" and conditioning of grain. The result was the concentration of the trade in the hands of a comparatively few companies. "Of about 320,000,000 bushels of grain received at Chicago, by far the largest part" were "handled by a few companies located at Chicago", which owned, leased, and operated "hundreds of country elevators on the lines of the railroads branching out into the Western and Northwestern grain fields".³⁾

It has been charged that these companies determined prices at the country market, a point on which testimony differs. Thus,

1) Report of the Ind. Com. vol. XIX, p. 178.

2) "At about the time the Interstate Commerce Law was enacted there was a system of rebates, in my opinion, extended by the railroad companies to individual shippers, to bring grain to this market in order to meet competition to various market points in the country; but the Interstate Commerce Law acted in such a way.that it became necessary, in order to protect the haul on their system, to put the rebate in the hands of favored individuals whom they could trust.....They found that the party to whom they could give the lowest rebate and still bring the grain was the most desirable man to receive it. Therefore, they chose the public warehouseman, gave him an elevator on their right of way and favored him with facilities to draw the grain there", and, in Mr. Greeley's opinion, the railroad had all the advantages it had before.-From the testimony of Mr. S. H. Greeley, a commission merchant of Chicago, before the Ind. Com. Vol. X, p. 227.

3) Report of the Ind. Com. vol. VI, p. 66.

Annals of the American Academy, op. cit. also covers this subject.

Mr. Peabody, speaking before the Industrial Commission, declared, "The popular impression is that the large grain dealers and the railroads combine to rob the producer, whereas the truth is, that, in his anxiety to do the largest possible business, the buyer seeks, thru the ingenious combination of rates, to secure the lowest thru rate, so that he may pay the highest possible price at the local market. His profits, altho generally large in the aggregate, are very small per bushel"¹⁾. In the same connection he declares that "the local dealer who operates an elevator, on the limited amount he handles, cannot pay expenses on less than two cents a bushel, on the average, but the large buyer at the commercial center, whose deals run up into the millions, is content if he can get from one eighth to one quarter of a cent per bushel". In the same vein Mr. Harris states that "owing to the competition for grain at country points, there is a tendency for the buyer to allow as high a rate as possible, in order to secure it from the farmer. For this reason the farmer gets the full benefit of proper grading; in fact it is the testimony of those high in the line elevator business, that grain seldom grades higher in the primary market than in the country, but more often the grade is lower"²⁾.

While it may be true that line companies can pay higher prices to the producer than the local elevators, it does not follow that they have done so. In fact, they have been charged with forcing prices down rather than up. Thus, the Industrial Commis-

1) Ind. Com. Report, vol. VI, p. 56.

1) Annals of the American Academy, op. cit. p. 41.

sion, speaking of the denials by the line men of any tendency on their part to lower prices, states that "the value of this denial may be inferred from the violent opposition which these terminal grain interests manifest when the local farmers' association propose to erect local elevators at points where these leading buyers alone are represented by their own elevators. Where elevators have been erected and operated as independent elevators, a price of from three to four cents more has been paid" than where there were no farmers' elevators. The line companies were charged with combining at particular points and paying a high price, to drive local elevators out of business, recouping themselves where there was no such competition. The Report continues, "There is no point

1) Report of the Ind. Com. vol X, p. 717-718; XIX, p. 179.

2) "In 1901 and 1902 we found out by accident that the local grain dealers had their heads together in every town. We found that a few men in Minneapolis controlled prices in Minnesota, a few in Des Moines controlled Iowa prices and a few more Nebraska and Illinois. And these small groups had come together under a gentlemen's agreement in virtually one combine controlling prices thruout the entire Northwest. Previous to this and concurrently a few strong line companies had gradually developed until the Peavy Company controlled 800 elevators, the Armours, 700; Councilman, 150, and so on.

"The way Charles Peavy built up their powerful line is typical. He would buy an elevator as an individual, say for \$5000 then sell to the Peavy Elevator Company, capitalized at \$11,000 in the Peavy stock; sell \$5000 worth of stock to outsiders, which covered the cost, retaining \$6000, or the controlling interest in the stock". Mr. Dunn says that this process was carried on from 1878 to 1898. In order to pay interest on this watered stock, he declares, that the companies had to throttle competition and fix arbitrary prices, and if an individual kept up the fight "all that was necessary was to raise the price at that point, while robbing other points. The farmers all along the line were fools enough to rush in and sell their grain to Peavy. The independent dealer was soon put out of business. Then for fifteen years the farmers of that community took just what Peavy chose to give them".--From an article by E.G. Dunn, president of the Iowa Farmers' Grain Dealers' Association, in the American Cooperative Journal, April, 1912, p. 638.

that is inferentially so clear and yet so difficult to prove in courts of law as this, that the line companies succeed, in the absence of independent companies, in maintaining a monopoly on the basis of common interests among themselves¹⁾". In dealing with railroads the line companies also possessed an advantage, because "the railroads depend on them more than upon any other commercial agency for securing the grain traffic"²⁾.

An impartial observation of the facts seems to indicate that the line companies have served a good purpose and have brought many economies into the grain business. But their ability to make such economies was often due to an enormous power over the factors in the business, while the economies themselves, in turn strengthened that power. The control of large numbers of local elevators is itself a source of power approaching monopoly that has led to many evils, while favors granted by the railroads have made more effective the attempt of the line companies to control the country market in their own interests, and have rendered possible some evils practices. Where they controlled the market these companies forced the price of grain to a point lower than a just margin of profit warranted; dishonest weighing and grading has been charged against them; they boycotted commission merchants who received independent shipments, and, consequently, the farmer was forced to sell to the line company or not at all; they paid high prices to drive out competition and lowered them where it did not exist. These practices gave to the elevator what the farmer considered to be too great a profit for the service per-

1) Report of the Ind. Com. vol. XIX, p. 179.

2) Ibid. p. 180.

formed and, consequently, kept him from getting what he considered a just share of the market price of grain.

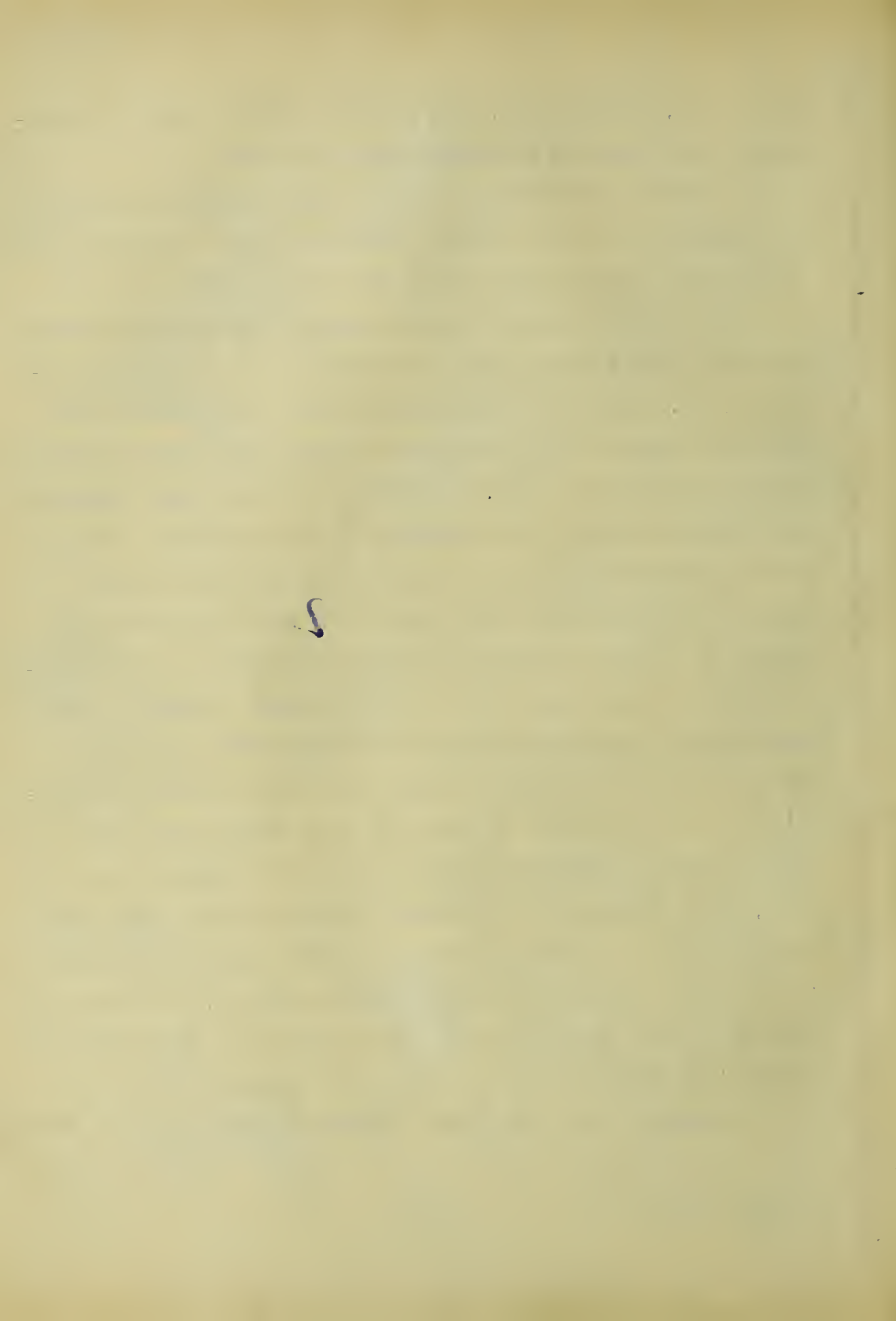
The rise of the line elevator system marked the end of the dominance of local country elevators. Before their rise the farmer often consigned his grain thru local dealers, or even directly to the consumer. The line methods put an end to these practices, and put the local elevators in a weak position competitively. This led to combination of the local dealers into what were known as Grain Dealers' Associations. "These Associations", declares the Industrial Commission,¹⁾ came into existence as a natural result of the progress of line elevators, because of the difficulty of the individual owner getting favorable terms from the railroad, and owing in no small degree to the necessity of united action in raising the standard of the quality of the grain before receipt by the trade". Credit is given these associations for the relief of many abuses. They secured better terminal facilities, a more satisfactory system of grading and weighing grain, and insisted upon better grain from the farmers. They secured reduced rates on grain shipments and, finally, their presence at the country market kept the line companies from gaining a complete monopoly of the local grain market.

Their charges for handling grain amounted, in 1900, to about one or two cents for cleaning the grain and about two cents²⁾ for the "expense of storing, loading and shipping".

Complaints have been made against the grain dealers' as-

1) Report of the Ind. Com. vol. VI, p. 60.

2) Ibid. p. 62.



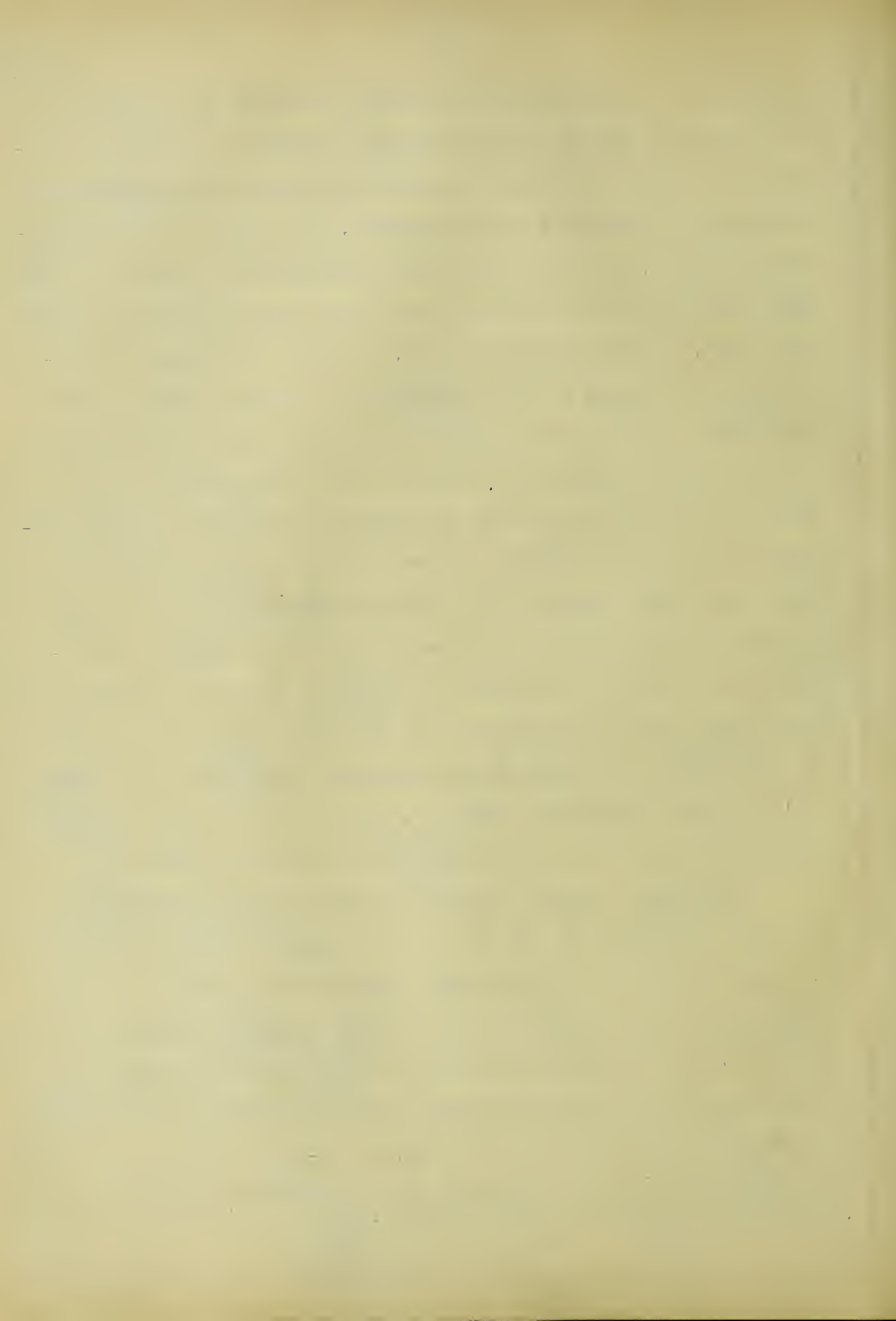
1)
sociations "for attempting to compel the farmers to sell to their members instead of consigning" directly to commission merchants as they had done. The associations made those commission merchants who received such shipments, the objects of a "systematic boycott", and the members made "systematic" effort to trace cars loaded at their stations, which were not shipped thru their elevators, to the terminal market, in order to boycott the recipient of the grain. "The offence of the farmer seems to have been that of evading the elevator charge of two cents per bushel by shoveling the grain from wagon to car". One object of this boycott was to rid the trade of those who were not regularly engaged in the grain business but who entered the field now and then when there appeared to be an opportunity to make a little profit. The opposition of the associations was probably justified in so far as it attacked the slow and expensive process of shoveling grain from wagon to car; but there was also an effort to force out of business all independent elevator men who were not considered "regular". That is, those who, did not belong to the Association and did not live up to its trade policies.²⁾
³⁾

Thus, the country elevator business became absorbed by the line companies and the local grain dealers' associations to the exclusion of all others, and producers were prevented from consigning their products to the primary markets. Opposition to the policies of these two factors at the country market was of great importance in the development of the farmers' elevator

1) Reprot of the Ind. Com. vol. VI, p. 62-65.

2) Ibid. p. 62.

3) "This irregularity consists mainly in not using the local elevators for shipping grain". Ibid. p. 8.



companies.

THE HISTORY OF THE FARMERS' ELEVATOR MOVEMENT IN ILLINOIS

The inciting cause for the formation of a large number of farmer elevator companies can undoubtedly be traced to opposition to the arbitrary power over prices which the line elevator companies and grain dealers' associations have exerted. But the whole movement for farmers' cooperative elevators may be traced to the unrest among the agricultural classes culminating in the Granger legislation of the seventies, and the Peoples' Party in the nineties. These movements, short-lived in many of their prominent aspects, and changing in their demands, gave birth in the farmer to a knowledge of the strength there is in union; and whereas the early movements had been for legislative enactments, monetary reforms, trust-breaking and other similar paths to prosperity, the farmers' elevator movement utilized a less spectacular, but more certain, means of gaining its end.¹⁾ The accumulation of capital among the agricultural classes of the middle Western states made such a movement possible; they no longer depended upon railroads, line companies, and other outside sources for capital to transport their grain to the primary market. Thus, the growing sense of unity among the farmers, coupled with the possession of the required capital, made it possible for them to combine among themselves to compete in the country market.

1) "The whole movement seems to be an attempt on the part of an important class of producers to scale down the wide margin between the farm process of produce and the price paid by the consumer for the same. It is an effort to eliminate so far as possible, the necessity for paying profits to a class of middlemen". Mr. Hibbard in Bailey's Cyclopedia of American Agriculture, vol. IV, p. 268.

That this opposition to the regular companies was the inciting cause of the movement may be drawn from the following summary of answers which I received in response to the question: "What grievances did the farmers have against the local elevators that led to the establishment of a cooperative company?"¹⁾ There were fifty five answers, distributed as follows:

The local elevators were exacting too large a margin of profit on grain--53

Poor, or dishonest weights--11

Low grading--4

Too high a price for coal, lumber and other products which many of the elevators now handle as a side line--2

No complaint--1

In a number of cases there was no local elevator before the farmers established theirs.

It appears that in all but one case in which there had been local elevators prior to the formation of the farmer company, the managers from whom I received answers gave opposition to the "arbitrary" prices of the established companies as one cause for the rise of their company.

The first farmers' cooperative elevators in the middle West seem to have had their rise during the Grange agitation of the late seventies and early eighties. Mr. Hibbard states, that it is reported that "over half of the elevators of Iowa were in the hands of the Grange cooperators", and Mr. Thomas Lamb, Jr.,

1) This was one of a number of inquiries included in a questionnaire sent to all the farmer cooperative elevators in the state in February, 1913. Other references will be made to it from time to time.

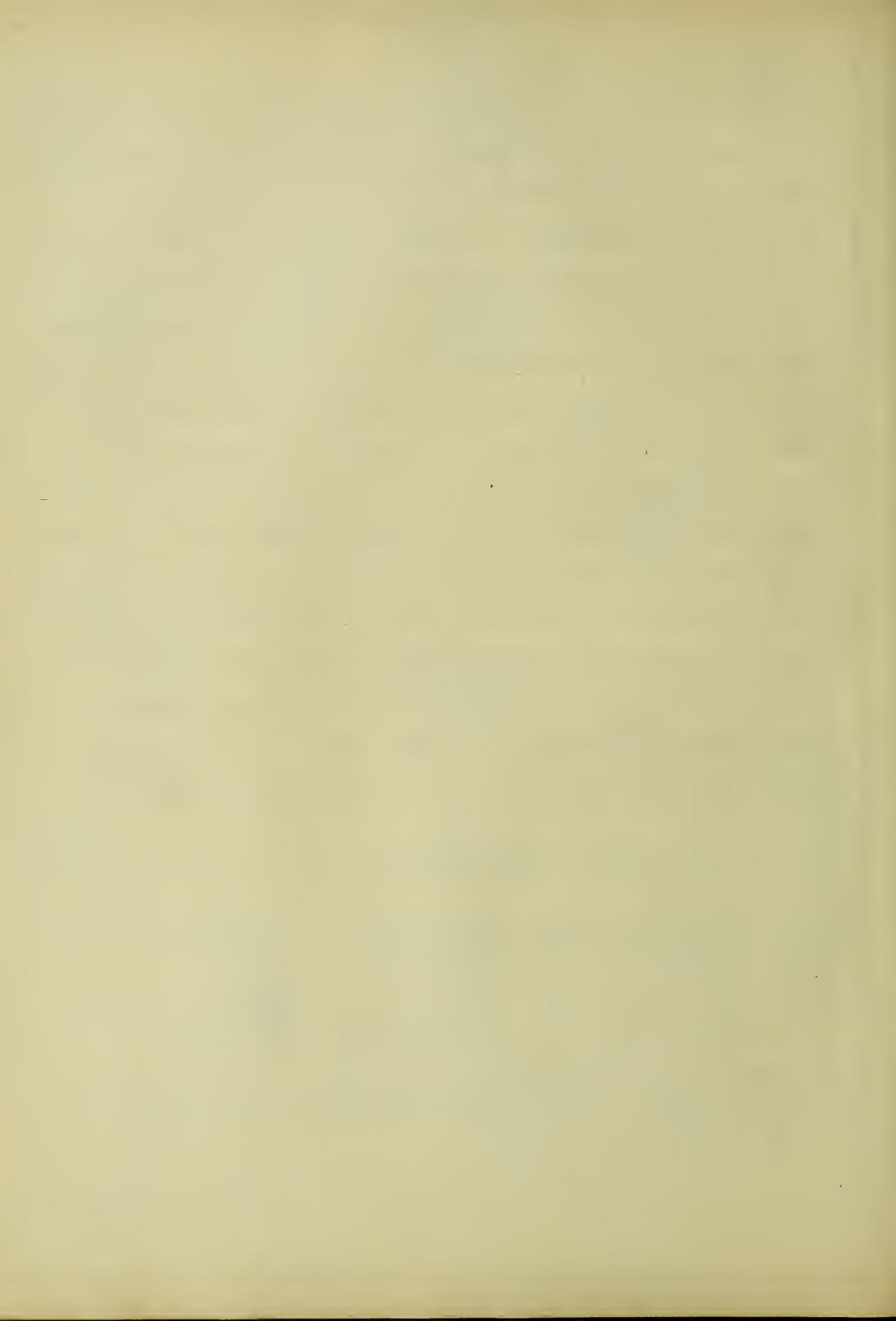
in a speech quoted in the American Cooperative Journal declared that under the Farmers' Mutual Benefit Association there were several cooperative farmer elevators in Illinois. But all of these failed "for lack of cohesion, definite aims, and business methods"¹⁾; and Mr. Hibbard states that "the new movement broke down because the farmer believed that thirty or forty dollars a month would hire a man capable of doing the business. This resulted in inefficient management; the book-keeping was poorly done; the grain was not properly graded; the prices (paid for grain) were too high. Such companies were easy victims of well-organized, independent and line elevators, and one after another they succumbed"²⁾. After these first unsuccessful attempts the movement developed in a more stable manner, and since the middle of the nineties there has been a gradual growth, increasing since about the time of the organization of the Illinois Farmers' Grain Dealers' Association in 1903, until, in October, 1912, the³⁾ there were about 270 in the State and during the year 1912

3) Farmer elevators are found in 21 states at the present time. The distribution is as follows:

Iowa 338	Wisconsin 53	Missouri 8
North Dakota 328	Oklahoma 34	Colorado 5
Minnesota 296	Indiana 28	Idaho 4
Illinois 270	Montana 28	Texas 4
South Dakota 225	Ohio 26	Oregon 3
Nebraska 204	Michigan 23	Arkansas 2
Kansas 138	Washington 18	Kentucky 1

1) American Cooperative Journal, September, 1907, p. 23.

2) B. H. Hibbard, Bailey's Cyclopedia of American Agriculture, vol. IV, p. 267.



1)
forty three new companies were organized. It is impossible to determine the number of such associations that have failed, but those who support the movement declare that the failures average "less than failures in any other class of new business ventures",³⁾ while Secretary Wilson of the Department of Agriculture, in speaking of the organizing ability of the farmer, declares that "contrary to his reputation, the farmer is a great organizer, and he has achieved remarkable and enormous success in many lines of economic cooperation in which people of other occupations have either made no beginning at all or have nearly if not completely failed".²⁾ An editorial in the first number of the American Cooperative Journal stated that "Two years ago it was very hard to interest a community of farmers to the extent of procuring stock subscriptions sufficient to build and operate such an elevator, but the few in operation during that time have been very closely watched by neighboring communities, until today the demand for experienced men to help organize exceeds the number of those engaged in the work".³⁾ The rapid growth in the number of associations, the fact that frequently they have driven all competitors from the field, or have been able to absorb the greater part of the business, indicates that they have proved successful in a large number of instances.

An examination of the maps on pages 14 and 15 will show that with but few exceptions these elevators are distributed with comparative regularity thruout that part of the state which

1) Am. Coop. Journal, July, 1910, p. 1753.

2) Report of the Secretary of Agriculture, 1908, p. 186.

3) Am. Coop. Journal, September, 1905.



MAP OF ILLINOIS

showing the distribution
of elevators in propor-
tion to the amount of
grain grown per county,
according to the 1910
Census.



Those counties in which
there are no farmer el-
evators are white.

Those in which there
is only one elevator
for each 3,000,000 or
more bushels raised

One for every 2,000,000

to 2,999,999 bushels

One for every 1,500,000

to 1,999,999 bushels

One for every 1,000,000

to 1,499,999 bushels

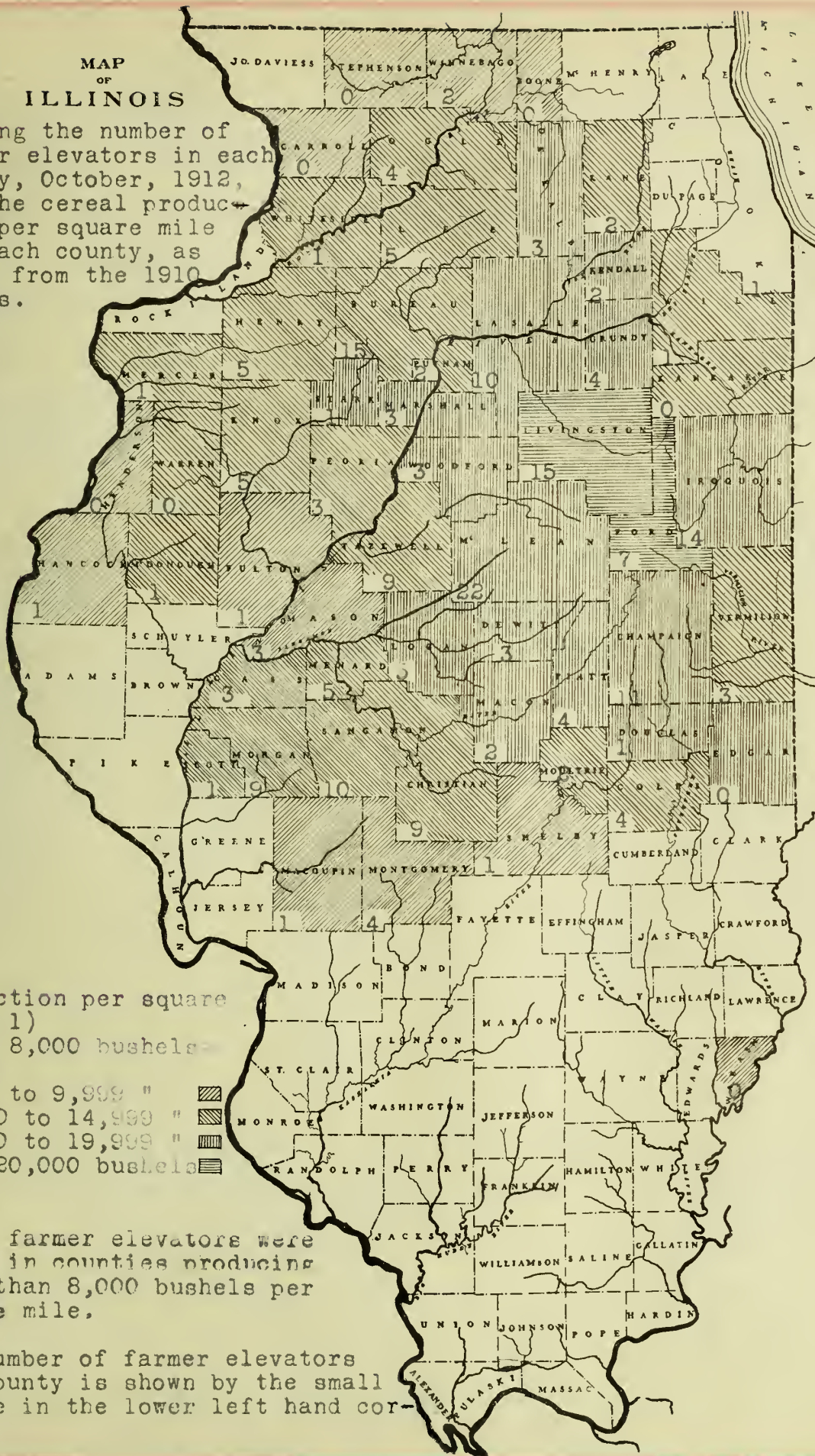
One for less than each

1,000,000 bushels



MAP OF ILLINOIS

showing the number of
farmer elevators in each
county, October, 1912,
and the cereal produc-
tion per square mile
for each county, as
taken from the 1910
Census.



has the heaviest cereal yield and are generally more concentrated in those counties with the highest yield per acre. Unfortunately, sufficient data is not at hand to determine the amount of business done by the farmer elevators in each county. Mr. Steinhart, Secretary of the State Association, estimates that the average business per farmer company is 350,000 bushels of grain per annum; which estimate conforms closely with the limited data at hand.

The opposition to the earliest companies does not seem to have been as great as that which later developed. But in the early part of the present century the boycott of commission merchants who accepted consignments from farmers' elevators, became very serious. It is charged that the "regular"¹⁾ dealers advised track-bidders and commission men about the state to refuse the grain of the farmers' companies, and that they refused to do business with those who did not follow this advice. The effect upon the cooperative elevators was very serious. "Many companies were completely shut out of their market. Others had their markets so restricted that competition was out of the question"²⁾. In most cases, however, the stockholders were loyal. Perhaps they were antagonized by the attitude of their competitors, and further, they knew from experience that the high prices offered by the regular companies were but inducements to get the grain from the farmer companies and would last only as long as those elevators existed, after which the producers would have to content themselves with what their former competitors offered. The fact

1) I shall hereafter use the term "regular" to indicate line companies and those belonging to associations.

2) American Coop. Journal, Sept., 1907. Thomas Lamb, Jr., p. 23.



that their money was invested was another strong incentive to loyalty.

Whatever the causes may have been the farmer companies made a determined fight against their competitors. The opposition of the regular companies drew them more closely together and in 1903 they combined to protect themselves against this severe competition.

The Farmers' Grain Dealers' Association of Illinois was organized at Springfield on February 9, 1913. Concerning this new organization, we read in the Prairie Farmer of July 23, 1903 "The Farmers' Grain Dealers' Association of Illinois is now but a few months old but it numbers on its rolls over one hundred different organizations from all parts of the state, and at the recent meeting at Bloomington there were 150 delegates present. This organization was formed as a means of self-preservation. It was alleged that the grain dealers of Illinois had so banded themselves together in their greed and avaricious efforts that, by boycotting outside buyers on the one hand and on the other, any commission house that would handle the grain shipped by such outsiders, or by the farmers themselves, they would compel and were compelling the farmers to take much less than their grain was worth on the market. In some cases this difference was reported as great as eight cents per bushel.....The grain dealers of Illinois have their own greed to thank for a situation they now find themselves in.....".

The present elevator movement seems to have begun its more rapid growth at this time. When the association was organ-

ized there were probably twenty companies in the State. A large
 number of new companies were formed during that year and an av-
 erage of 26 companies have been organized each year since that
 time.

The following quotations are taken from the Constitution and By-laws of the State association, adopted in 1905, and give an idea of the object for which it was organized and the work it attempts to do.

The object is "to advance the Commercial Interests of the Cooperative Organizations of Illinois engaged in the handling of Grain, and..... to inculcate just and equitable principles in trade, acquire, preserve and disseminate valuable business information, and to encourage frequent intercourse and consultation among its members for the promotion of their common interests". The principal officer is the secretary, whose duties are in part, as follows: "It shall be the duty of the Secretary to encourage the forming of cooperative companies for the handling of grain and to assist in their organization if he is requested to do so," for which he receives a compensation from the company seeking aid a stipend of five dollars per day and expenses. "It shall be the duty of the secretary to assist all organizations forming or already formed, by keeping them in touch with all matters pertaining to the grain trade, markets, etc." He receives a salary of \$25 per month but all of his time is not occupied with the work of the Association. Important committees

1) Thomas Lamb, Jr., American Coop. Journal, September, 1907, p.2.

2) Out of 104 companies reporting, March, 1913, 16 gave 1903 as the date of their organization.

3) This was the first state association. The Iowa Association was organized in the following year.

of three members each are appointed, consisting of a "Committee on Transportation"; a "Committee on Arbitration and Investigation" for inter-membership difficulties; a "Committee on Grades," which endeavors to procure uniform methods of grading, and a "Committee on Legislation". A claim agent is also appointed to collect claims placed in his hands by members of the organization. In the meeting of April, 1912, it was voted to divide the state into seven departments with a special man in charge of each. It was thot that this system would increase the Association's efficiency.

The following letter written by Mr. McCreery to the American Cooperative Journal¹⁾ gives a good idea of the specific work attempted by the State Association. "We have organized this year forty new companies, have secured a switch for the Mazon Company at Booth, have secured a switch at Roberts for the Roberts Company, have assisted in keeping out of effect an advance of one cent per hundred on grain shipped from Illinois, which is a saving this year of one and one hald million dollars to the farmers of the State". It is interesting to note in this connection that in combating this proposed increase in rates, the Farmers' Association and the regular Grain Dealers' Association, whose interests have been so bitterly opposed on most questions and which have sot each to overcome the other in the competitive struggle, joined with the representatives of the various exchanges and organized, in October, 1912, The Central Grain Association, "to

1). American Cooperative Journal, December, 1912. Mr. McCreery was the State Secretary at this time, p. 261.

1)

more effectively protest this advance".

The officers of the State Association have also endeavored to obtain a ruling from the State Railroad and Warehouse Commission insisting that during periods of car-shortage, the railroads distribute cars to the elevators in proportion to the amount of business ordinarily done. This is an endeavor to do away with what is declared to be the practice of giving the competitors of the farmers' elevators the preference in the supply of cars.

Many articles occur from time to time in the American Cooperative Journal stating the advantages of joining the State Associations. It seems to be true, however, that a large number of the local elevators do not belong. Thus, in 1912, out of 260 associations in Illinois, only 122 belonged to the state organization. No doubt many of the farmer companies have not met with the troubles common to so many of their neighbors, and have never felt the need of close association; others are no doubt glad to have the Association do its work and to reap the benefits, but are unwilling to bear the expense; even among the associations that the state officers help to organize, a large number do not join. Others, however, are very loyal and it is from these that funds are procured with which to work and from which the moral support of its endeavors comes. It is certain that the State Association has been a strong factor not only in aiding in the organization of new companies and in aiding individual companies in particular trials, but its influence has been exerted for the

1) American Cooperative Journal, Nov., 1912, p. 182.

general welfare of all the farmer elevators in the state.

Of as great importance as the State Association, but with its activities in a somewhat different field, is the American Cooperative Journal, the official organ of the Farmers' Grain Dealers' Associations of the middle Western states. The first number appeared in September 1905 and it has been issued as a monthly since that date. Its efforts are primarily in the interests of the farmers' cooperative elevators; aside from this, considerable space is devoted to the interests of other forms of cooperation,, especially that which is of interest to the farmers of the middle West. It reports the activities of the various state associations, their meetings and what they accomplish; considers their court decisions and legal considerations of interest to the elevators, often having written statements by efficient lawyers covering doubtful points of law; market conditions are carefully noted; cooperation in general and in particular is discussed; the pictures of successful elevators, managers, and other company officers, are printed, together with statements covering the financial condition and progress of various elevators; accounts are given of social features, as picnics and banquets which are connected with the work of different associations, and space is given for what is known as the "state news", in which, under the name of the various states, is given news concerning companies in that state, their business and troubles and successes, new and successful managers, and other local news which may prove helpful or of interest. The magazine is a great aid to the farmers. It keeps them in touch with mat-

ters vital to their interests and with things cooperative. In 1911 the Journal itself was made cooperative and since that time it has received the official endorsement of all of the state associations.
1)

1) There are four ways in which the stock in the Journal Company may now be held:

1. Any farmer cooperative company may buy one share for each member up to one hundred for the whole company.
2. Any company may buy stock and donate it to its state association.
3. Any state association may buy stock up to the limit of ten shares to each member, or companies, in the association.
4. Any member of a farmer cooperative company may hold shares, with a limit of ten. From Am. Coop. Journal, June 1912, p. 800.

THE DIFFICULTIES THAT THE COOPERATIVE ELEVATORS HAVE ENCOUNTERED

The difficulties that the farmers' elevator companies have met in Illinois are indicated in the following classification of answers which were received in reply to the question: "What special difficulties have you encountered?"--51 companies reporting.

1. Difficulties with the railroads, due to car shortage--15
2. Internal dissensions--10(distributed as follows:)
 Speculation by managers--4
 Internal dissensions--3
 Lack of loyalty on the part of the stockholders--2
 Patrons expecting too much from a farmers' elevator--1
3. Competition--7(as follows:)
 Severe competition--3
 Overbidding by competitors--4
4. Difficulties at the terminal market--2(as follows:)
 With a terminal buyer--1
 Unable to get a commission merchant for some time--1
5. Bad crops--1

These answers show that the greatest amount of trouble has arisen from a lack of cars. This and other difficulties with the railroads have been important from the first, as will be noted from an examination of the following answers to the ques-

tion, "What opposition did the railroads give you? and in what ways did they favor the existing elevators?"

1. No opposition--34
2. Discriminated against in getting cars--10
3. Refused a switch or siding--11
4. Slow to furnish required facilities(scattering answers)--5.

Probably one of the most annoying evils with which the farmer companies have had to contend has been the delay in getting switches and sidetracks brot to their elevators. In many cases the railroads have refused to build them, sometimes because they held that there were enough elevators at the station or in the vicinity from which the demand was made, while in other instances they have maintained that they were not legally bound to furnish the desired facilities, and, furthermore, did not care to. Many times the greatest cause of annoyance has been the leisurely manner in which the railroads have gone about the work. These difficulties have often been eliminated by buying some local elevator that already had facilities, but many times the company has taken the case to the State Railroad and Warehouse Commission. When the demands of the farmer company have been reasonable the Commission has decided in their favor. Their attitude is now known, and there seems to be little doubt but that trouble from this source is about at an end. Thus, in the

- 1) This would indicate that of the (same) fifteen cases of car shortage mentioned above, five were not due to discrimination.
- 2) While the causal connection at this point may not be very close it is of interest to note that of seventy-nine companies of which I have data, fifty-nine operated elevators they had bot and the other twenty had built theirs.

case of the Mazon Farmers' Elevator Company against the Big Four
 1) Railroad, the Road had refused to construct a switch to connect with the Company's elevator; the Commission ordered the Railroad to construct the switch, but this was not the end. The same law that provides that railroads shall make reasonable connections, also makes provision for damages suffered as a result of failure on the part of the railroad to observe the law. At this time, March 1913, the Company is suing the Railroad for losses sustained while waiting for the switch. If it is successful, this tendency for the railroads to delay in the construction of necessary switches and sidetracks will be eliminated.
 2)

Frequent complaint is made by some farmer companies that they are not given their share of cars when there is a shortage; that the railroads, instead of distributing the cars in proportion to the amount of business done, show favoritism to the regular companies. This complaint is made frequently and is a real evil; in many cases, however, it may be due as much to a lack of foresight in ordering cars on the part of the manager as to any desire of the railroads to favor the competing companies. The State Association has tried to obtain a decision from the State Railroad and Warehouse Commission upon this point, but it has not succeeded because the Commission feels that this is a subject which the Interstate Commerce Commission should decide.

1) The attitude of the Illinois State Railroad and Warehouse Commission upon this point may be more definitely understood by examining its decisions in Volume III of the Decisions of the Railroad and Warehouse Commission, Illinois, 1889-1912.

2) Ex-Secretary McCreery, of the State Association, in speaking of this case said, "I think that settles the question pretty thoroly for the state of Illinois. I Don't think any railroad will be particularly anxious or desirous of getting into another proposition of that kind". Am. Coop. Journal, Mar. 1913, p. 560.

At the present time complaints of such discrimination in favor of competitors of the farmer companies are diminishing, and altho two managers complained very bitterly of such practices by the railroads, one alleging that his company had lost \$3500 last year because of the failure of the railroad to keep its promises, it is safe to say that in the great majority of cases where car-shortage is met, it is felt alike by all the local elevators.

In answer to a question regarding the present attitude of the railroads toward the farmers' elevators, forty-five companies stated that the present relations were satisfactory; nine that they were "fair"; and two asserted that they had been discriminated against in obtaining cars. Mr. Hibbard states in this connection, that the "railroads have given fair aid to, the farmers as a whole, tho making some serious trouble.....The work of the Interstate Commerce Commission has no doubt had its influence, as has also the hesitancy of the railroads to offend the whole farmer class in the granger states". While an editorial in the Journal declares that "recently a disposition has been shown by the railroads in several states, especially Illinois, to favor the farmer cooperative companies.....Besides shipping the grain, live stock and produce, many of these companies are receiving carload lots of coal, lumber, brick and tile, farm machinery, flour and feed, and many other commodities in car load lots. The cooperative grain elevator company creates a larger business than the line company ever did.....Another

1) Bailey's Cyclopedia of American Agriculture, vol. IV, p. 268.

2) American Cooperative Journal, July, 1910, 1753.

thing, they are not constantly worrying the management of the railroad for concessions, rebates and favors as the line companies are prone to do under the leverage of a large volume of business covering many stations and long hauls".

There is as yet little indication that the line companies have changed their competitive tactics, already described. But the farmer elevators seem to have met such competition firmly, the stockholders have generally been loyal, and the line companies have been forced to resume normal competitive tactics, have been forced out of business, or have sold their interests to the farmer companies.

The table on page 28 indicates the present status of competition, with both the line companies and local dealers, for fifty-six companies responding. It must be born in mind that this table only includes about one-fifth of the total number of elevators in the State; but, on the other hand, these companies represent a variety of conditions, and the elevators reporting range from some of the smallest to some of the largest in the State. It should also be noted that these figures come largely from the managers of the farmer companies and that no statisites have been received upon this point from the competitors. Despite these facts, it seems safe to conclude that there is a marked tendency for the farmer companies to absorb the greater part of the business of the country market at those stations at which they compete with the regular elevators.

The relations at the terminal market seem to be worked out to the satisfaction of the farmer, in so far as he is satis-

STATUS OF COMPETITION OF 56 FARMERS' ELEVATOR COMPANIES
REPORTING, February 1913.

Column I--Twenty four companies with no competing elevator at the stations at which they are located.

Column II--Fifteen farmer companies that have either forced the competing elevators out of business, or have bot them.

Column III--Twenty six companies with one to three competing elevators at their station.

Column number.....	I	II	III
Bot competing elevators when starting business	14		
Bot competing elevator since starting business	3		
Forced competing elevator out of business	2	a) 12	
Rented competing elevator	1		
Built an elevator--probably indicating that there was no elevator at the station	4		
Companies with one competing elevator			20
Doing 50 % of the business			1
Doing from 51 % to 59 % of the business			2
Doing from 60 % to 79 % of the business			13
Doing 80 % or more of the business			3
Companies with two competing elevators			5
Doing 33 % of the business			1
Doing 50 % of the business			1
Doing 60 % of the business			2
Doing 80 % of the business			1
Companies with three competing elevators			2
Doing 60 % of the business			1
Doing 80 % of the business			1

a) Twelve of these companies were forced out of business by the competition of three companies: six, by one; four, by another.

fied with the present system of distribution there, for as soon as the farmers began to assert themselves it was inevitable that commission men would be found who would be glad to take care of their shipments and represent them upon the Exchange, despite the opposition of the regular companies. There is now practically no complaint of the former system of boycott, and the whole situation at the terminal has improved. Thus, the Journal declares that the state associations "by their organization and cooperation....have opened the grain markets of every terminal center to the shipments of the farmer grain companies and today there is no grain that brings more money, and no shipments that are better received than the shipments of the cooperative grain companies of the middle West".¹⁾

There has been considerable demand among Illinois farmers for a cooperative law that the grain companies can utilize. At present they are forced to take out regular articles of incorporation, and the laws governing corporations make it impossible to do some things that seem desireable in a cooperative company. The most frequent complaint is due to the fact that under the laws of incorporation of this state, a corporation cannot legally limit the number of shares of its stock which one person may hold. Such a limitation is highly desireable in a cooperative society and very essential, if the best interests of all concerned are to be recognized. While many of the companies have provisions in their by-laws to the effect that only a certain number of shares may be held by one person, the rule cannot be legally enforced and some companies finding this to be true, have

1) American Cooperative Journal, April, 1912, p. 667.

1)

dropped it from their by-laws. A law for cooperators would also render a penalty clause a surer way to keep business for the company, and other desirable things could be included. There has been considerable agitation upon this point in the past few years, and laws especially designed for cooperators have been obtained in some of the states.

2)

3)

Concerning the difficulties noted as "internal", it is hard to say just what the present situation is. Speculation by managers is not a difficulty inherent with cooperative elevators and must be guarded against there as in other activities; in fact, such speculation has often been encouraged by the directors. Internal dissensions will continue to arise, tho as the field which cooperative elevators try to fill becomes more cer-

1) It may be stated at this point that because of this it is difficult to draw the line between those companies which are truly cooperative and those which are mere stock companies, doing business entirely with a view to profit. Some are clearly cooperative, others are clearly stock companies, and between these are a great number having some of the characteristics of each. The distinction between them seems to lie in their attitude toward the business. Some consider that their object is to handle the grain at the lowest possible margin consistent with business safety in order that the producer may get the highest price for his grain. Others consider profits the mark of success, in which case it seems that they are purely commercial enterprises, as we generally understand that term, with the same objects in view as the companies which, in a large number of cases, they were formed to combat. And it should be said that there is a danger that any company may pass from the former to the latter state if managerial ability is measured by them in profits rather than in the increased price of grain. In so far as the farmers' companies keep the latter attitude they are in keeping with the purpose for which they were originally organized; but in so far as the former viewpoint is upheld, the farmers who are among the stockholders will place themselves in the same position, and be opposed for the same reasons by other farmers, as that which the regular companies hold.

2) The latest law was passed in Wisconsin in 1912.

3) Page 23, above.

tain and the business methods are more perfectly developed and understood, it seems that these should greatly diminish. Under existing conditions there will always be some danger from lack of loyalty on the part of the stockholders, especially in those places where severe competition is met with, and where the temptation to sell at a higher price may take the grain from the farmer elevator. But the growing cooperative spirit should tend to eliminate this, while a good cooperative law in the state may further aid by making legal and enforceable some form of the penalty clause. Too great expectation on the part of the patrons will cause but little trouble as the true powers of such companies become established and generally known.

Two difficulties with which such enterprises were confronted in the earlier days were lack of capital and poor management. But at the present time it may be said that when the field looks good the farmers are able to procure among themselves the funds with which to start a company. Cooperative elevators are established on a sound business basis and are organized in a thoro manner. As the technique of management has developed those evils arising from ignorance of cooperative selling have dissapeared, while panaceas and extreme theories have given way to practical methods. The testimony that appears from month to month in the Journal concerning the efficiency of manager after manager seems to indicate that the farmers appreciate the need of good management.

Another disadvantage with which these companies have to contend is the system of warehouses at the terminal markets. The

line companies own their own elevators at these points. This gives them the advantage of "mixing" and conditioning their grain—two very profitable processes which make it possible for them, in the first instance, to mix superior grain with that of inferior quality and thus bring it all to a high grade and consequently receive a higher total profit; in the second case grain of a poor quality is brought to a higher grade with the use of conditioning machinery. Neither of these processes can be utilized by the farmer companies who are further handicapped by the storage prices which they have to pay for the use of public warehouses, while the line companies do not have to pay any profits to themselves for the use of their own warehouses. But now that the farmers have succeeded in the management of country elevators, they are turning their efforts, thru their state associations, toward the management of terminal warehouses, and in 1912 four state associations appointed committees to investigate their purchase. The following quotation from the report of Mr. McCree-

ry, a member of the Illinois committee, delivered at the annual meeting of the State Association in March of this year (1913)

1)
shows the present situation. "It is the opinion of your committee that this Association should erect, purchase or lease elevators and that they should be owned or controlled by the farmers of the different states in all of the terminal grain centers".

Mr. J. Heneby, the other member of the committee declared, "We have been at a standstill for some time. We have started the farmers' movement to get closer to the consumer, to get a better price for his grain. We have gotten it in our local concerns and

1) Quoted in the American Cooperative Journal, March 1913, p. 563.

we can reap just as much or more benefit in the terminals than we could at our local points".

This review of the main difficulties that the cooperative companies have had to meet, indicates that they are being gradually eliminated, until it seems fair to say that the farmers' elevator companies are on an equal competitive basis at the country market with both the line and independent companies, while the present movement may equalize their position at the terminals. Aside from this, Mr. Harriss indicates that they have an advantage at the country market due to the very nature of their association. Thus he says: ¹⁾ "The apparent advantage of the Farmers' Elevator Company over the Line Company consists in its ability to get control of the grain in the country. Naturally the farmers who hold stock in the company will sell their grain to it in preference to the Line Company, inasmuch as the profits of the concern depend upon the amount of the grain handled, and they, as stockholders, are participants in the profits.....At one country station there may be four or five Line Elevators owned by different companies and one Farmers' Elevator, owned by the farmers of the vicinity. The Farmers' Elevator will probably secure from a half to a third of the grain shipped from that station, due to the advantage just explained. ²⁾ Its cost of operation will be very little more than that of each of the line elevators. It is apparent, therefore, that the Farmers' Elevator handling a much larger quantity of grain at approximately the

1) Annals of the American Academy, September, 1911, p. 42.

2) See the table on page 28.

same expense, does business at a considerably lower cost per bushel than the Line Company". He concludes that the Line Companies were needed in the early days when the farmers did not have the capital with which to operate elevators, but now the line companies are to be displaced by the farmer companies.

ORGANIZATION, CONTROL, AND BUSINESS

Having discussed the causes for the establishment of farmers' cooperative elevators, it will now be interesting to see the method of their formation, organization and control.¹⁾

When the community interest in an elevator has gained considerable strength it seems to be the general practice to call a meeting in some public building. Those who are invited may all be farmers, or there may be some of the interested business men of the community. Outside speakers address the meeting and the project is thoroly discussed. These outside speakers are frequently representatives of the State Association or of the American Cooperative Journal, or are connected with some successful elevator in the neighborhood; some of the commission houses have also been instrumental in the formation of these companies.²⁾ At times the spirit at such a gathering is so strong that large parts of the stock are subscribed at a single meet-

1) The data from which this section has been constructed has been obtained from an acquaintance with all of the issues of the American Cooperative Journal, from personal letters and answers to questionnaires from over seventy companies, from data furnished by the editor of the American Cooperative Journal covering about one hundred and twenty-five companies, from personal letters from the editor of the Journal and officers of the Illinois Farmers' Grain Dealers' Association and other men interested in the movement in general.

2) A number of correspondents mentioned the firm of Lowell, Hoit and Company of Chicago as among those who have been instrumental in the organization of farmer companies.

ing. In most cases, however, a committee, or an individual, is appointed to get the requisite number of stock subscriptions. The length of time for this work varies: sometimes a few hours will suffice to obtain all of the necessary subscriptions (in some cases the capital stock has been increased in order to accommodate those farmers who were unable to get in on the first subscription); but generally it is a slow, tedious process, for each farmer may have to be convinced before he will subscribe. In the meantime the line or local company are quite likely to be busy; perhaps they will pay higher prices, or in other ways endeavor to deaden the farmers' spirit. And in some places the need may not be great enough to call for an elevator. Thus, a variety of circumstances may intervene to make the task of organization a hard one, or to make it fail altogether.

The stock subscribed, the next move is to incorporate, and, as already indicated, Illinois associations must incorporate under the regular incorporation laws of the State. The determination of the form for a constitution and by-laws may be made easier by the use of samples supplied by the State Association, the Journal, and local companies. In this way the new company may utilize the experience of hundreds of others organized for the same purpose in Illinois and other grain-growing states.

An elevator must also be obtained. This may be done in one of three ways. The Company may lease an elevator at the station; or, it may buy one outright; or, it may build a new one. The purchase of an existing elevator has many advantages. It enables the new company to begin operation at once, and, of far

greater importance until recently, it evaded the troubles that companies who built often had in obtaining a site and connections with the railroads, while, at the same time, if the elevator they buy is in operation, it rids the field of one competitor. The farmer companies have frequently been advised to buy where it was practical, rather than to build. Especially has this been urged in those vicinities where the elevator capacity in the past has been sufficient for all needs. It would be an economic waste to build in such a case, and, of greater importance to the farmer, it would arouse bitter competition, which, combined with the antagonism thus naturally aroused in the railroads, would make a combination of circumstances rendering success more uncertain. Thus, the American Cooperative Journal in advising the purchase of an elevator already at the station, rather than building a new one, states, that the farmer Company should buy wherever it can, "especially when the elevator capacity in the past has been sufficient for all needs. It is a known fact that it takes at least one hundred cars of grain annually to support a country elevator". It concludes, "a new company cannot go wrong in purchasing an elevator in preference to building one".

However, it is not always possible, or even desireable, to either buy or lease an elevator, in which circumstance it is essential to build. Here again the previous experience of neighboring elevators and the ready aid of the State Association and of the Journal, render welcome assistance. The best methods of construction can be utilized, and construction companies that

have proved satisfactory may be contracted with.

The choice of a manager is one of the most important acts of a newly formed company. It is necessary to get a man of courage, tact, ability, and knowledge of the field he is entering. Especially are these qualities needed at stations where severe competition will be met with. Illinois associations seem to be procuring good managers. Thus, we read in the Journal for July, 1910, "Many farmer cooperative companies are increasing the salaries of their managers. There is no single thing more given to the advancement and successful conduct of a cooperative company than a well-paid, satisfied manager". The following table covering different companies from whom I gathered data will give an idea of the salaries that are paid.

\$200--one company	\$120--four companies
150--six companies	110--four companies
140--one company	105--one company
135--one company	100--ten companies
130--one company	90--four companies
125--five companies	85--three companies
80--three companies	
75--nine companies	
70--three companies	
65--three companies	
50--four companies	
45--one company	
35--one company	

It will be seen that of these sixty companies, thirty-four paid their managers one hundred dollars per month or more; while only twelve paid under seventy-five dollars. In this table are included salaries of some companies that pay their managers not only a salary but also give him the rent of a house and lot to live in. In such cases the use of the property has been valued at ten dollars per month. Three of the managers

were not paid regular salaries but were given percentages upon the sales made. These range from one-half cent to two cents per bushel.¹⁾

Many of the managers had had considerable experience as grain buyers before taking the position they now occupy. Thirty-four had had from one-half to forty-five years experience while eighteen had had no such experience. The other previous experience of these men was as follows:²⁾

farming--18	office--3
mercantile--9	coal and lumber--2
teaching--4	clerical--2
bank--3	merchandise--2
feed, hay and grain--3	stock buyer--2
hardware and implements--3	railroad--1
"various"--2	

At his point it will be of interest to investigate those features of the constitutions of cooperative elevator companies that have a special reference to the particular work of these organizations. The material for this has been gathered from an examination of twenty-five different constitutions and by-laws that have been adopted at various times from 1897 to 1912, together with information gathered thru the columns of the American Cooperative Journal and with personal conversation with the

1) Other companies reported that they paid their managers salary, wholly or in part, in this way; but as adequate data was not available their salaries for last year could not be included.

2) Many managers have had two or more varieties of experience.

managers of some companies.

The object for which the company is organized is generally defined somewhat as follows: "This company is organized for the purpose of buying, selling, and dealing in grain, hay, straw, flour, feed stuff, farm implements and machinery, twine, coal, fuel, oil paints, lumber and all kinds of building materials and soil fertilizers, and to own and hold by lease, or otherwise, such real estate as may be necessary or proper in the conduct of such business". Other statements, shorter and longer, are used, but the same idea is prevalent in all. The capital stock and the par value of shares vary within wide limits. The former ranging as low as \$2,000 and as high as \$50,000, indeed, one company is reported with a capitalization of \$75,000, but in this case the grain trade is only one part of a large business. The shares range from \$10 to \$100. The stock is generally entirely subscribed by farmers, altho in many cases business men have subscribed, especially where they have thought that the new elevator would benefit the community, and where the farmers have had a hard time to get enough stock subscribed among themselves. It is frequently declared in the constitution that no stock shall be sold to a grain dealer or seller, and frequent

1) While many companies deal in the purchase of such materials as are here mentioned, aside from the selling of grain, it is not of great relative importance to the grain business, which is the prime object of this study. And the figures and information given herein refer to the activities and business of the companies as grain elevators.

2) From the constitution of the Farmers' Grain Company of Palmer.

3) A simpler form is as follows: "This company is organized for the purpose of dealing in grain, coal, lumber, and farm products and supplies". Lowder Company.

4) Gridley Elevator Company

ly, that no stock shall be offered for sale until it is first
 1)
 offered to the stockholders. The number of shares that one person may hold is frequently as low as three, while a large number have no limit at all, and a few who had such a limit have dropped it when they have found it could not be legally enforced under existing state laws. The sentiment of many of the associations is in favor of the limitation of shares, as they believe that it leads to a better feeling among the members, greater loyalty to the company, and is more truly cooperative than the method of unlimited holding of shares. There are two common ways of placing such a regulation in the by-laws. Thus, "no one person shall be allowed to control more than five shares of stock in this corporation", or, "shares of stock of said corporation may be transferred only on the books of the company, and they shall not be transferred on the books of the company unless the consent of the directors be first given, and the directors shall not give their consent to one person owning more than four shares. No one person shall be allowed to vote as owner of more than four shares and no person shall be allowed to vote by proxy more than four shares, and no person holding stock shall be allowed to vote said stock unless the same has been duly transferred on the books of the company".
 2)
 A fee of from twenty-five cents to two dollars is sometimes required for each share of stock

1) Many of these regulations cannot be enforced but are a moral obligation upon those who sign the agreement.

2) The first was taken from the constitution and by-laws of the Saunemin Company; the second, from the Monica Company.

transferred.

The table on page 43 shows in concise form the capitalization, number of stockholders, investment per stockholder, and par value of the stock, for the companies of which data was at hand. It must be born in mind that this table simply represents tendencies. All of the companies in the State could not be included in the summaries given, and in many cases the data that is available may be in error to some extent. On the other hand it is probably true that these figures, covering almost two-thirds of the companies of the state, show with a fair degree of accuracy the prevalent number of stockholders per company and give information concerning the other items mentioned with a fair degree of accuracy. Thus, we may conclude that the majority of companies have a capitalization of between \$5,000 and \$15,000 of which the greater number are between \$8,000 and \$10,001, forty-one of the 195 companies investigated being capitalized at \$10,000, ten at \$8,000 and twelve at \$6,000; while eight reported a \$12,000 capitalization and thirteen, \$15,000. We also find that the total capitalization of the 159 companies is \$1,570,340; the average is, in round numbers, \$9,875, and, as will be seen from the table, the greatest number of companies fall in group IV, while forty-one of the fifty companies of this class are capitalized at \$10,000. Using this last figure as a fair average we may say that the total capital invested in farmer elevators in Illinois is \$3,000,000.¹⁾

1) In May, 1913, the estimated number of farmer elevators in the State is 300.

CAPITALIZATION, NUMBER OF STOCKHOLDERS, INVESTMENT PER STOCKHOLDER, AND PAR VALUE OF SHARES--of companies reporting.

Capitalization Class	I	II	III	IV	V	VI	VII	
Capitalization	\$3,000 to \$2,000	\$5,000 to \$3,001	\$8,000 to \$5,001	\$10,001 to \$8,001	\$15,001 to \$10,001	\$20,000 to \$15,001	\$30,000 to \$20,001	Totals
Number of companies reporting capitalization in each class	5	22	36	50	34	6	6	159
Total investment of companies reporting in each class	\$12,250	\$101,100	\$321,425	\$454,200	\$453,625	\$116,000	\$124,000	\$1,570,340
Number of companies in each class reporting stockholders	4	13	25	36	25	6	5	104
Smallest number of stockholders in any company in class	40	31	35	28	37	75	120	
Largest number of stockholders in any company of class	115	150	150	287	480	274	300	
Average number of stockholders in companies reporting	57.5	67.4	75.4	107	123	167	216	
Average investment per stockholder--each class	\$41.74	\$67.46	\$87.12	\$101.36	\$107.06	\$113.90	\$107.60	
Number of companies in each class reporting par value of shares	2	9	11	22	16	1	1	64
\$10 shares	1	1	0	0	0	0	0	2
\$25 shares	1	4	2	6	3	0	0	15
\$50 shares	0	0	5	11	11	1	1	29
\$100 shares	0	4	4	5	2	0	0	15

The fact that the average investment per stockholder is larger in the case of the groups with larger capitalization does not indicate that the members control a larger number of shares, for the par value of the stock is greater in the large companies than in the small companies.

A close estimate indicates that at the present time there are 32,000 stockholders in the farmer companies of Illinois. These companies handle grain for approximately as many more who are not stockholders, and, consequently, they are serving about 60,000 farmers in Illinois at the present time. The amount of grain handled is not known. It varies widely from year to year--depending upon the size of the crop, which in turn affects the percentage of the total crop brot to the market, more grain being fed on the farm during a year of heavy crops and low prices. Figures compiled by averaging the value of business done by seventy companies in 1912 show that the total volume of business done by the 260 companies in the State was in the neighborhood of \$53,000,000. It is frequently estimated that the presence of the farmer elevators in Illinois has raised the price of grain three cents a bushel. This means a saving of \$9,000,000 annually to the farmers of the State, considering 300,000,000 bushels as¹⁾ the annual grain crop. It must be remembered, however, that a very large part of the grain is never moved from the farm but is used in feeding stock and for use in the local grist mill.

The corporate powers of the farmer companies are delegat-

1) From an estimate made by Mr. Myers of the American Coop. Jr.

to a board of directors, each of whom must be a stockholder. The duties of the board are those usual to such a body. It is the almost universal practice to hold monthly board meetings at which the manager, secretary and treasurer give reports. The directors are usually allowed expenses for work that is in the interest of the Company and they are frequently paid a certain sum, generally about one dollar, for each meeting attended. The officers have the usual duties to perform and are often required to give bond. In many instances a definite sum is designated in the constitution for the bond of the manager, and often for the treasurer and sometimes, for the secretary. For purposes of economy the same man is chosen by some companies as secretary-treasurer, and one constitution states that the appointed secretary-treasurer shall act as manager. Frequently, the secretary and treasurer, and sometimes, the president, are given a small salary ranging from \$25 to \$50 a year.

When the subject of marketing is mentioned it is frequently specified that grain shall be sold in a definite way. Thus, "all grain bot of members of this corporation shall be bot on a margin of one cent per bushel profit to the corporation"; or it may declare that the business shall be so conducted that "it shall be able to pay all expenses and to make a reasonable profit only. The principal purpose being to make the produce of the farmer bring him as high a market price as can be done compatable with the successful operation of the corporation". The charges that shall be made for handling the grain of those who are not

members is generally left, if mentioned at all, to the discretion of the directors. In most cases no fee is charged; in some there is a fee ranging from one-half cent to two cents. It is desirable to obtain the patronage and good will of non-members and so it is frequently necessary to give them the use of the elevator on the same terms as those given to members. Of fifty-four companies from whom data was procured on this point, thirty-five charge no fee, the remaining nineteen charged as follows: one-half cent, one; one cent, nine; one and one-quarter cents, one; one and one-half cents, four; two cents, four.

- Dividends are divided in two ways: as capital dividends or as trade dividends. Trade dividends are apportioned according to the volume of business brot to the elevator; non-members sometimes are given a part of this, generally at one-half the rate of stockholders. Such an apportionment is ~~made~~ after a definite dividend, ranging from five to ten per cent, is given to the stockholders as interest on the money invested. Whichever method of distribution is utilized, the directors generally set aside such funds as they deem necessary for surplus funds.

The division of dividends upon the amount of business brot to the company is considered more truly cooperative and is an added incentive to farmers, both members and non-members, to bring their grain to the elevator. The spirit behind the plan is indicated by the following quotation from the American Cooperative Journal,¹⁾ "In true cooperation they have learned not to call

1) American Cooperative Journal, September, 1912, p. 18.

it dividends at all, only 'interest'. Money is entitled to legal interest rates, with a small allowance for the risk involved in the enterprise, and that is all. The companies that boast of one hundred percent dividends are robbing Peter to pay Paul. They are taking too much from their patrons and giving too much¹⁾ to their stockholders."

The following section from the constitution of one of the companies is illustrative: "The directors may from time to time set aside from the profits of the business, such sums of money as they deem adviseable, not to exceed an amount equal to the capital stock of the corporation, and all profits of any corporate year not so set aside and in excess of a further amount equal to a dividend of five percent on the capital stock shall be paid to such stockholders of record at the time of the annual meeting as have during the corporate year then ended, while stockholders of record, sold and delivered grain to the Company; each stockholder to receive a pro rata share thereof according to the number of bushels of grain so sold and delivered by each such stockholder, and the right to so participate in such share of the profits, if any, shall be considered a part of the contract under which such stockholder of record sells and delivers

1) President Van Hise, speaking before the First National Conference on Marketing and Farm Credits, Chicago, April 8, 1913, stated that "non-members who did business with the Association might be excluded from sharing in the profits of the cooperative enterprise; or, on the other hand, they might participate to a less extent, say 50 per cent. This latter is believed to be a better plan, since it would result in extending the business of the Association and thus increasing the profits".

grain to the company; and the annual report shall show the number of bushels of grain sold and delivered to the company during the year by such stockholders of record in order to determine the persons entitled to receive any such money as the part of the purchase price of the grain sold and delivered".

This plan is by no means universal. Thus of sixty-eight companies reporting upon this subject, only nine pro rated their dividends, while the others all paid capital dividends when they paid any.

The two tables following give an idea of the rate of dividends and of the uses made of the surplus funds accumulated.

1)

THE SIZE OF THE DIVIDEND OF 57 COMPANIES--1912.

No dividends--17	12% dividends--1
5% dividends--7	12 1-2% dividends--1
6% dividends--13	15% dividends--2
8% dividends--2	20% dividends--4
10% dividends--8	50% dividends--1
54% dividend--1.	

THE DISPOSITION REGULARLY MADE OF THE SURPLUS,
43, COMPANIES REPORTING, March, 1913.

Used for running expenses--12

Held in the treasury--9

Used for repairs and improvements--7

1) Part of these dividends come from handling coal, lumber, etc., but there is no uniformity in the amount thus handled and many handle none at all, while in all cases such business amounts to but a small part of the total.

Held for a building fund--1

Add to the capital stock--1

Paying off a debt--1

No special use--5

No surplus--5

The lack of a dividend does not necessarily bespeak poor management or lack of success, as some companies make it a practice to run upon a very close margin taking their profits indirectly thru the increased price of grain, and keep what surplus there may be to cover a possible loss at a later time and for other purposes. Others that do not run upon so close a margin put all of their extra funds into the surplus rather than into dividends. Some companies divide all of their profits in dividends.

As has already been indicated the policies of the various companies vary within wide limits; on the one side are those who endeavor to carry on the business at as close a margin as possible, in order to get the highest possible price for the grain; while at the other extreme are some companies that tell their managers to operate the company the same as any other corporation would, i.e. with a view to making the greatest possible profit.

Concerning the whole subject of surplus and dividend it should be said that the lack of uniformity in accounting methods detracts greatly from the possibilities of making general conclusions of value. It is general to pay for improvements and re-

pairs out of the current income or from accumulated funds, generally classed as surplus. Additions are also usually made from the surplus, altho they are also made from new capital. Such things cannot be determined from the statements made by the companies. Of seven companies answering specific questions upon this point but one allowed for depreciation(4%) and two others said it was allowed for but at no definite rate. The other four had never allowed for depreciation. All of them made improvements and repairs as they became necessary from current income or the surplus funds they had accumulated. One company had made some additions out of new capital.

An interesting feature of many constitutions is what is known as the "penalty clause". This is intended to keep the stockholders from selling their grain to compaitors. It has varying degrees of elaborateness, from a mere statement to a dissertation upon the subject in general and the reasons for the inclusion of the clause. It is sometimes included in the body of the constitution and is sometimes a separate agrrement which all¹⁾ of the stockholders are expected to sign. The following is a fair example: "any member.....who shall sell his grain to any other grain buyer, shall within thirty days pay over to said company one-hald cent per bushel on each and every sale so made, and if not paid in thirty days the same may be recovered by an action of law or inequity, and such right of action is hereby

1) There is considerable doubt as to whether this clause can be legally enforced.

conferred....."

The capacity of the elevators varies within wide limits. The smallest one reporting had a capacity of 8,000 bushels, while the largest holds 120,000 bushels. Of 128 elevators of which statistics are at hand, the following classification may be made.

Under 15,000 bushels capacity, 14;	average value, \$5,500
15,000 to 24,000 bushels capacity, 32;	average value, \$5,750
25,000 to 30,000 bushels capacity, 31;	average value, \$7,100
35,000 to 49,000 bushels capacity, 30;	average value, \$8,500
50,000 to 74,000 bushels capacity, 21;	average value, \$9,750
75,000 to 100,000 bushels capacity, 17;	average value, \$13,100

The great majority of elevators fall in the classes having a capacity of between 20,000 and 40,000 bushels; while a number of companies own two, three, or more elevators.

The table on page 52 endeavors to make a comparison between the various classes according to their capitalization and the amount of business done. It indicates that of thirty-one companies examined there is only a rough approximation between the amount of capitalization and the quantity of business. It gives an idea of the amount of business carried on by these companies. In a majority of them the annual business amounts to¹⁾ between \$100,000 and \$200,000.

1) See page 44 for an estimate of the total business done.

THE VOLUME OF BUSINESS DONE BY THE COMPANIES, DIVIDED INTO
CLASSES ACCORDING TO CAPITALIZATION
51 Companies

Amount of Business per year	Under \$100,000	to \$100,000 to \$149,000	to \$150,000 to \$199,000	to \$200,000 to \$249,000	to \$250,000 to \$299,000	to \$300,000 to \$349,000	to \$350,000 to \$499,000	to \$500,000 to \$599,000	to \$600,000 to \$700,000	1) Over \$700,000
Capitalization										
\$2,000 to \$3,000	0	1	1	0	0	0	0	0	0	0
\$3,001 to \$5,000	0	2	0	1	0	0	0	0	0	0
\$5,001 to \$8,000	2	1	1	0	1	0	0	0	0	0
\$8,001 to \$10,000	3	3	3	2	0	0	1	0	0	0
\$10,001 to \$15,000	1	1	3	0	0	2	0	0	0	0
\$15,001 to \$20,000	0	0	0	0	0	0	0	1	0	0
\$20,001 to \$30,000	0	0	0	0	0	0	0	0	0	1
Total number of companies in each class	6	8	8	3	1	2	1	1	0	1

The results of the tables on pages 52, 53 and 54 show that among the companies reporting, the capitalization, the size of elevators, or the total elevator capacity, of a company, bear no close relation to the volume of the business. This may be due to a variety of causes. Some companies hold their grain at the

1) In years of good crops some of these companies do a business amounting to over a million dollars a year.

country elevator longer than others; some sell directly on track at the local station, while others ship to the terminal; while the policy of the same company may change from time to time. It is no doubt true, however, that ability of management is the prime cause for variation. The efficiency of management being the same, differences in the intensity of local competition would be another cause for the difference.

THE AMOUNT OF BUSINESS DONE IN PROPORTION TO THE TOTAL
ELEVATOR CAPACITY

Amount of Business per Year	Under \$100,000	\$100,000 to \$149,000	\$150,000 to \$199,000	\$200,000 to \$299,000	\$300,000 to \$349,000	\$350,000 to \$399,000	\$400,000 to \$499,000	\$500,000 to \$599,000	\$600,000 to \$699,000	\$700,000 to \$799,000	\$800,000 or more
Capacity of Elevator											
10,000 bu. to											
14,999 bu.	5	1	0	1	0	0	0	0	0	0	0
15,000 bu. to											
19,999 bu.	1	1	0	1	1	0	0	0	0	0	0
20,000 bu. to											
24,999 bu.	0	2	4	0	0	0	0	0	0	0	0
25,000 bu. to											
29,999 bu.	0	1	2	0	0	0	0	1	0	0	0
30,000 bu. to											
39,999 bu.	1	1	5	2	0	0	0	0	0	0	1
40,000 bu. to											
49,999 bu.	0	1	1	2	1	0	0	0	0	0	0
50,000 bu. to											
69,999 bu.	1	1	0	4	0	0	1	0	1	0	1
70,000 bu. to		a)	b)								
99,999 bu.	0	1	2	0	1	0	1	1	0	1	0
100,000 bu. to											
124,999 bu.	0	0	0	0	2	0	1	0	0	0	0
125,000 bu. to											
150,000 bu.	0	0	0	0	0	0	0	1	0	1	
Total number of companies in each class	8	9	14	10	5	0	3	3	1	2	2

a) and b) The small amount of business apparently done by these

AMOUNT OF BUSINESS, 1912, IN RELATION TO THE CAPACITY OF
SINGLE ELEVATORS--68 companies reporting.

Amount of Bus- iness per Elev- ator.	Under	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	Total num- ber of elev- ators of each capac- ity			
	100,000	100,000	149,000	150,000	199,000	200,000	299,000	300,000	349,000	350,000	399,000	400,000	499,000	500,000	599,000	600,000	699,000	700,000	800,000	
Capacity																				
10,000 bu. to																				
19,999 bu.	9	4	1	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	16
20,000 bu. to																				
24,999 bu.	0	3	5	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9
25,000 bu. to																				
29,999 bu.	5	1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9
30,000 bu. to																				
39,999 bu.	4	3	7	2	00	2	0	0	0	0	0	1	0	0	0	1	0	0	0	19
40,000 bu. to																				
49,999 bu.	0	4	3	2	00	0	0	0	0	1	0	1	0	0	0	1	0	0	0	11
50,000 bu. to																				
69,999 bu.	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
70,000 bu. to																				
99,999 bu.	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
100,000 bu.																				
or more	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Total number of companies in each class	18	16	20	7	0	3	0	2	0	2	0	2	0	2	0	2	0	2	0	68

The value of all buildings and equipment frequently exceeds that of the elevator(see table on page 51) by several hundred dollars. The other equipment is in additional sheds, coal bins, implement houses, and similar things. Several own the house which their manager occupies.

companies may be due to an error in the figures at hand. Each operate elevators at other stations than the one at which the main elevator is located, but there is reason to believe that in giving the total business for the year 1912 they sent the figures covering the business done by the main elevator only.

The companies ship largely to the following markets: Chicago, Cincinnati, Louisville and St. Louis; while considerable quantities are shipped to Baltimore, Buffalo, Cairo, Champaign, Decatur, Detroit, Indianapolis, Memphis, New Orleans, Toledo. A few companies sell "on track" to representatives of milling companies that come to their stations.

The cost of marketing at Chicago, where the greatest part is shipped, is about five to six cents per bushel from most points that ship there, varying, however, in some cases from one to six cents; the cost to St. Louis is from six to nine cents, and to Baltimore, nine to seventeen cents.

The difference between the price at Chicago and the local markets at which the farmer elevators are located is generally from one to two cents, which roughly indicates the margin on which the business is done.

Before the farmers' elevators were established this difference was from eight to ten cents on the average; altho of the companies reporting on this point some reported as high as fifteen cents and some as low as two. These figures seem to bear out the contention of the farmers, that they were not getting what their grain was worth. Fifty companies that gave information state that the farmer company has raised the price of grain at their station over that at neighboring stations where there is no cooperative elevator. The estimates of this difference vary from one-half cent to five cents, the majority falling between two and five cents. One cause for this variation may be the relative nearness

of these other towns to the cooperative elevator. Not a manager indicated that the elevator had not raised the price of grain at his station. This testimony points to the conclusion that the farmer companies have accomplished their purpose in raising the price of grain at the country market.

GENERAL CONCLUSION

The benefits of the farmers' cooperative elevator movement have been indicated as the various phases of its development have been mentioned, but it will be worth while to briefly restate the more prominent of these.

The primary object of these organizations has been to secure better prices for the farmers' grain. In this they have been successful. Better grading of the grain has been secured so that the farmers are now remunerated for raising better grades of grain, which is an incentive to better agriculture. Better transportation and terminal facilities are being secured. Further financial advantage comes from buying directly many articles needed on the farm, as coal, lumber, farm implements and machinery, and similar items. More indirect, but nonetheless apparent is the increased cooperative spirit among the farmers, which tends to bring them closer together and to make them a more powerful element in the commercial and political world. This direct contact with business is also developing a keen commercial insight. All of these results are in a general way advantageous, not only to the farming class but to the communities in general.

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